

\$21,000,000
CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITY REVENUE BONDS
(NEW DESIGNS CHARTER SCHOOL PROJECT)
EXECUTIVE SUMMARY

RESOLUTION 12-33

Borrower:	University Park and Watts LLC (Borrower)
Project User:	New Designs Charter School, a charter school operated as New Designs Charter School, a California nonprofit public benefit corporation
Loan Amount:	Not to exceed \$21,000,000
Expected Issuance:	October 2012
Project:	The bond proceeds will be used to (i) acquire two campus locations (the University Park Campus and Slauson Campus) currently occupied by New Designs, (ii) construct a gymnasium and classrooms at the University Park Campus and (iii) renovate both sites. The Borrower will own the sites and lease them to New Designs.
Bond Type:	Educational Facility Revenue Bonds (Taxable and Tax Exempt Series) (the "Bonds")
Project Locations:	2303 S. Figueroa Way, Los Angeles (University Park Campus) 3906-3912 West Slauson Ave., Los Angeles (Slauson Campus)
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	Approximately \$1,320,000
Expected Rating:	BBB-
Structure:	Term Bonds maturing in 2023 (Taxable), 2032 (Tax-Exempt), and 2042 (Tax Exempt), respectively
Sale Method:	Public Offering
Underwriter:	Robert W. Baird & Co., Inc.
Bond Counsel:	Kutak Rock LLP

I. Background

University Park and Watts LLC (Borrower) is requesting conduit bond financing, not to exceed \$21 million, for purposes of acquiring the University Park Campus and the Slauson Campus, (ii) constructing a gymnasium and classrooms at the University Park Campus and (iii) renovating both sites. The Borrower will own the sites and lease them for use by New Designs Charter School, a charter school.

II. The Project User and the Borrower

The project will be used by New Designs Charter School. New Designs Charter School is a charter school which began operating in the 2004-05 school year. The school is currently serving approximately 712 students in grades 6-12. The school operates under a charter issued by the Los Angeles Unified School District. The school operates at the University Park Campus at 2303 S. Figueroa Way in Los Angeles and the Slauson Campus located at 3906-3912 West Slauson Avenue in Los Angeles. New Designs Charter School was founded by Dr. Yaw O. Adutwum, with the vision of developing a college preparatory learning environment that enables students to become literate, self-motivated, and life-long learners. New Designs Charter School serves neighborhoods where the traditional public schools have been historically overcrowded and underperforming. Additional information regarding the school can be found in Exhibit A of this staff summary. New Designs Charter School is the first charter school established and operated as New Designs Charter School, a nonprofit public benefit corporation. New Designs Charter School-Watts, a separate charter school, is also operated as the same nonprofit corporation.

The Borrower is a California limited liability company whose sole member is New Designs Properties, Inc. New Designs Charter School, the nonprofit corporation, is the sole member of New Designs Properties, Inc., and controls membership of its board of directors.

III. Structure

The Authority will issue Tax Exempt and Taxable Educational Facility Revenue Bonds in one or more series (collectively the "Bonds"). The Authority will loan the proceeds of the Bonds to the Borrower to finance the project described above. The sites will be leased to and operated by New Designs Charter School, the nonprofit public benefit corporation,, pursuant to separate leases (refer to Exhibit B regarding flow of funds). Under the leases, the lessee agrees to use and operate the sites as the New Designs Charter School, the charter school.

SB1016, enacted in June 2012, amended the CSFA Act to permit lending bond proceeds to any entity that undertakes the financing of a project under the Act in conjunction with a charter school, Under the proposed financing, the bond proceeds will be loaned to the Borrower to finance the project in conjunction with New Designs. The Borrower will lease the facilities to New Designs for a term that is less than the term of the Bonds. However, the Borrower will agree that the facilities are to be used only as a charter school so long as bonds are outstanding, subject to default remedies such as foreclosure. New Designs have indicated that this structure will allow it to retain its

eligibility for California Department of Education grants under the Charter School Facility Grant Program – a program established under Senate Bill 740 (SB 740).

New Designs will make lease payments to the Borrower that match debt service on the bonds for the term of the lease arrangement, and the Borrower will assign those payments to the trustee for the Bonds. The Borrower's loan payments under the loan agreement also will be assigned to the Bond trustee. The Borrower's obligation also will be supported by any future leasees of the facilities should New Designs not occupy the facilities for the full term of the Bonds. The lease payments by New Designs are to be payable only from income associated with the two schools under its current charters, the schools being New Designs Charter School and New Designs Charter School-Watts. Both schools are operated as New Designs Charter School, the nonprofit public benefit corporation. Income from future charter schools, if any, would not be available to pay the lease payments that, in turn, support bond payments. New Designs has indicated it will enter into an arrangement with Los Angeles County to intercept in part the State funding of New Designs Charter School and New Designs Charter School-Watts and redirect it to make the lease payments into a restricted account available to the bond trustee.

The Borrower has indicated it may sell the Slauson Campus. However, the financing documents prohibit sale of that site unless the Bonds used to finance that site acquisition are no longer outstanding. The University Park Campus is currently owned by an unrelated third party. The Slauson Site is currently owned by New Designs Charter Schools.

The Bonds will be dated on the date of delivery, will be in authorized in denominations of \$100,000 and any integral multiple \$5,000 in excess thereof, and currently are expected to mature on June 1 of 2023, 2032, and 2042, respectively with mandatory sinking fund payments prior to maturity. The Bonds are expected to bear interest payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2012, until maturity or earlier redemption. Bond transfers will be restricted to qualified institutional buyers and accredited investors.

IV. Security and Source of Payment

The Bonds are limited obligations primarily payable from rental income directly derived from the leases of the sites or indirectly derived from rental income through loan payments under the loan agreement. The leases also provide for additional rent to cover other charges related to this financing payable by New Designs. New Designs' obligation to pay rent under the leases is a special obligation limited solely to legally available gross income of the charter schools, New Designs Charter School and New Designs Charter School-Watts.

The University Park Campus and the Slauson Campus will be subject to deeds of trust as security for the Bonds. No interest in the separate facilities relating to New Designs Charter School-Watts will be used to support the Bonds.

V. Preliminary Sources and Uses

SOURCES AND USES OF FUNDS

**CALIFORNIA SCHOOL FINANCE AUTHORITY
Educational Facilities Revenue Bonds, Series 2012
(New Designs Charter School Project)
Level Debt Service**

Dated Date 10/23/2012
Delivery Date 10/23/2012

Sources:	Educational Facilities Revenue Bonds (Tax Exempt), Series 2012A	Educational Facilities Revenue Bonds (Taxable), Series 2012B	Educational Facilities Revenue Bonds (Tax Exempt), Series 2012C	Total
Bond Proceeds:				
Par Amount	16,285,000.00	2,135,000.00	860,000.00	19,280,000.00
	<u>16,285,000.00</u>	<u>2,135,000.00</u>	<u>860,000.00</u>	<u>19,280,000.00</u>
Uses:	Educational Facilities Revenue Bonds (Tax Exempt), Series 2012A	Educational Facilities Revenue Bonds (Taxable), Series 2012B	Educational Facilities Revenue Bonds (Tax Exempt), Series 2012C	Total
Project Fund Deposits:				
University Park Acquisition Fund	13,830,000.00	1,170,000.00		15,000,000.00
Project Fund	1,000,000.00			1,000,000.00
Slauson Loan Payoff Amount			780,000.00	780,000.00
	<u>14,830,000.00</u>	<u>1,170,000.00</u>	<u>780,000.00</u>	<u>16,780,000.00</u>
Other Fund Deposits:				
Debt Service Reserve Fund	1,128,441.54	147,941.21	59,592.25	1,335,975.00
Delivery Date Expenses:				
Underwriter's Discount	325,700.00	42,700.00	17,200.00	385,600.00
Cost of Issuance		772,370.00		772,370.00
	<u>325,700.00</u>	<u>815,070.00</u>	<u>17,200.00</u>	<u>1,157,970.00</u>
Other Uses of Funds:				
Contingency	858.46	1,988.79	3,207.75	6,055.00
	<u>16,285,000.00</u>	<u>2,135,000.00</u>	<u>860,000.00</u>	<u>19,280,000.00</u>

VI. The Project

The 2012 bonds will be used to purchase the school's University Park campus, refinance debt related to the Slauson property, and fund a debt service reserve.

VII. Borrower Financial Data

Attached as Exhibit A is a schedule of historic revenues for the Borrower as well as an enrollment history for New Designs Charter Schools and associated affiliate schools.

VIII. Due Diligence Undertaken to Date

No information was disclosed to question the financial viability or legal integrity of the Borrower. Standard opinions of counsel (i.e., that the borrowing entity has been duly organized, is in good standing, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 12-33 in an amount not to exceed \$21,000,000 for New Designs Charter Schools subject to final financing terms acceptable to CSFA.

Exhibit A
Historical Revenue and Enrollment – New Designs Charter Schools

New Designs Charter School - University Park
Statement of Net Assets

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007
ASSETS					
Current Assets					
Cash & Cash Equivalents	430,995				123,916
Accounts Receivable	1,583,984	1,181,384	672,934	344,862	495,708
Due from New Designs Watts	382,989	347,283			
Prepaid Expenses	94,111	50,567	15,699	37,270	27,277
Total Current Assets	2,492,079	1,579,234	688,633	382,132	646,901
Property and Equipment					
Furniture	96,381	77,290	61,045	61,045	57,603
Equipment	217,853	197,533	162,265	162,265	136,819
Building	1,700,000	1,700,000	1,700,000	1,700,000	
Building Improvements	1,295,346	1,245,519	1,132,752	1,128,178	115,853
Accumulated Depreciation	(850,901)	(685,204)	(448,991)	(227,148)	(81,982)
Total Property & Equipment	2,458,679	2,535,138	2,607,071	2,824,340	228,293
Other Assets:					
Building deposits	1,020,000	840,000	810,000	350,000	489,710
Other deposits	9,626		32,355		
TOTAL ASSETS	5,980,384	4,954,372	4,138,059	3,556,472	1,364,904
LIABILITIES AND NET ASSETS					
Current Liabilities					
Cash overdraft		285,136	99,013		
Accounts payable - operations	821,432	505,937	470,249	417,068	229,444
Accounts payable - construction		483,932	9,821	50,956	
Loans payable - current portion	1,459,387	1,226,308	552,064	594,444	463,800
Total Current Liabilities	2,280,819	2,501,313	1,131,147	1,062,468	693,244
Long-term Liabilities					
Loans payable - net of current portion	1,551,602	1,624,911	2,221,738	2,185,226	120,000
Total Liabilities	3,832,421	4,126,224	3,352,885	3,247,694	813,244
NET ASSETS					
Invested in Capital Assets Net of Related Debt					228,293
Unrestricted	2,147,963	828,148	785,174	308,778	323,367
Total Net Assets	2,147,963	828,148	785,174	308,778	551,660
TOTAL LIABILITIES AND NET ASSET	5,980,384	4,954,372	4,138,059	3,556,472	1,364,904

HISTORICAL AND FUTURE PROJECTED ENROLLMENT

	Grade	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
		<i>Historical</i>				<i>Projected</i>				
New Designs - University Park	6	112	125	114	145	136	153	150	150	150
	7	114	131	120	113	118	125	150	150	150
	8	94	123	134	90	109	115	120	150	150
	9	51	89	96	112	87	97	120	150	150
	10	41	42	51	76	96	85	100	120	150
	11	—	43	25	53	56	82	90	90	110
	12	—	—	26	23	39	55	60	90	90
	Total:	412	553	566	612	641	712	790	900	950
New Designs - Watts	6	—	—	—	77	77	95	90	90	90
	7	—	—	—	68	88	70	90	90	90
	8	—	—	—	43	61	70	90	90	90
	9	—	—	—	20	32	35	90	90	90
	10	—	—	—	—	23	35	35	60	60
	11	—	—	—	—	—	16	30	60	60
	12	—	—	—	—	—	—	30	52	60
	Total:	—	—	—	208	281	321	455	532	540
Grand Total:	412	553	566	820	922	1,033	1,245	1,432	1,490	

EXHIBIT B

**CALIFORNIA SCHOOL FINANCE AUTHORITY
Educational Facilities Revenue Bonds
(New Designs Charter School Project)**

Flow of Funds Diagram

